

TOWN OF BILLERICA, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2014

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Billerica, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 19, 2015

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Billerica's governmental assets exceeded liabilities for governmental activities by \$45.9 million and the business-type assets exceed liabilities by \$69.8 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.

Governmental Activities

	2014	2013
Assets:		
Current assets.....	\$ 63,811,560	\$ 57,612,108
Capital assets.....	93,372,322	93,973,087
Total assets.....	157,183,882	151,585,195
Deferred Outflows of Resources:		
Deferred loss on refunding.....	129,130	152,673
Liabilities:		
Current liabilities (excluding debt).....	5,488,487	6,535,692
Noncurrent liabilities (excluding debt).....	82,568,000	64,806,000
Current debt.....	3,347,731	4,675,594
Noncurrent debt.....	20,037,399	22,883,984
Total liabilities.....	111,441,617	98,901,270
Net Position:		
Net investment in capital assets.....	74,811,080	68,831,319
Restricted.....	2,930,561	2,146,834
Unrestricted.....	(31,870,246)	(18,141,555)
Total net position.....	\$ 45,871,395	52,836,598

Governmental net position of \$74.8 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$2.9 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2014, the remaining balance of *unrestricted net position* has a deficit of \$32 million. The primary reason for this deficit balance is the recognition of OPEB liabilities.

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services.....	\$ 9,239,165	9,497,439
Operating grants and contributions.....	41,871,671	38,737,025
Capital grants and contributions.....	2,744,229	3,664,219
General Revenues:		
Real estate and personal property taxes.....	102,734,863	98,238,915
Tax liens.....	1,473,175	1,001,661
Motor vehicle and other excise taxes.....	5,802,686	5,576,740
Hotel/Motel Tax.....	943,569	842,253
Penalties and interest on taxes.....	311,571	332,865
Payments in Lieu of taxes.....	141,206	136,642
Nonrestricted grants.....	5,041,689	5,406,459
Unrestricted investment income.....	438,612	586,204
Total revenues.....	<u>170,742,436</u>	<u>164,020,422</u>
Expenses:		
General Government.....	7,895,362	8,167,246
Public Safety.....	28,644,436	27,607,948
Education.....	115,462,438	109,561,770
Public Works.....	9,608,559	9,608,550
Human Services.....	2,217,577	1,985,974
Culture and Recreation.....	4,502,102	4,335,331
Interest.....	825,225	679,537
Total expenses.....	<u>169,155,699</u>	<u>161,946,356</u>
Excess (Deficiency) before transfers.....	1,586,737	2,074,066
Transfers.....	<u>(8,551,940)</u>	<u>(8,581,310)</u>
Change in net position.....	(6,965,203)	(6,507,244)
Net position - beginning.....	<u>52,836,598</u>	<u>59,343,842</u>
Net position - ending.....	<u>\$ 45,871,395</u>	<u>\$ 52,836,598</u>

Governmental activities decreased the Town's net position by \$7 million during the current year.

Total revenues increased by \$6.7 million. The main cause of the increase is due real estate revenue receipts being \$5 million higher than the prior year. The increase exceeded budgetary expectations due to the recapture of previously unassessed exempt properties.

Capital grant revenue decreased \$920,000 due to the MSBA funded school construction entering the final grant close out period. Operating grant revenue increased a total of \$3.1 million due to the recognition of grant reimbursements that were for costs incurred in the prior fiscal year.

Expenses increased by \$7.2 million, due primarily to increased operating expenses that were consistent with budgetary expectations as well as increases in employee and retiree health and pension benefits.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of a \$7.1 million operating contribution to cover operating losses and certain capital activity.

Business-type Activities

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 18,651,725	\$ 28,887,177
Noncurrent assets (excluding capital).....	4,302,437	4,641,264
Capital assets not being depreciated.....	20,711,875	8,434,152
Capital assets, net of accumulated depreciation.....	<u>105,192,479</u>	<u>108,592,794</u>
Total assets.....	148,858,516	150,555,387
Deferred Outflows of Resources:		
Deferred loss on refunding.....	<u>505,363</u>	<u>593,779</u>
Liabilities:		
Current liabilities (excluding debt).....	2,075,968	1,985,452
Noncurrent liabilities (excluding debt).....	5,550,000	4,508,000
Current debt.....	26,157,059	26,117,166
Noncurrent debt.....	<u>45,779,012</u>	<u>50,350,838</u>
Total liabilities.....	79,562,039	82,961,456
Net Position:		
Net investment in capital assets.....	73,472,897	70,843,625
Unrestricted.....	<u>(3,671,057)</u>	<u>(2,655,915)</u>
Total net position.....	\$ <u>69,801,840</u>	\$ <u>68,187,710</u>

Water and sewer business-type activities assets exceeded liabilities by \$69.8 million at the close of 2014. The investment in capital assets, net of related debt, was \$73.5 million while unrestricted net position was in a deficit balance of \$3.7 million.

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services.....	\$ 7,849,167	\$ 8,274,695
Operating grants and contributions.....	<u>616,057</u>	<u>671,830</u>
Total revenues.....	8,465,224	8,946,525
Expenses:		
Water.....	7,631,484	7,523,584
Sewer.....	<u>7,771,550</u>	<u>7,813,525</u>
Total expenses.....	15,403,034	15,337,109
Excess (Deficiency) before transfers.....	(6,937,810)	(6,390,584)
Transfers.....	<u>8,551,940</u>	<u>8,581,310</u>
Change in net position.....	1,614,130	2,190,726
Net position - beginning.....	<u>68,187,710</u>	<u>65,996,984</u>
Net position - ending.....	<u>\$ 69,801,840</u>	<u>\$ 68,187,710</u>

During the current year the general fund transferred \$7.1 million of operating and capital activity to the water and sewer funds.

The business-type activities show a \$6.9 million deficit before transfers and operating contributions. The operating deficits primarily relates to the fact that charges for services for the water enterprise fund and the sewer enterprise are not set to recover the respective operating and interest costs. The general fund currently subsidizes the operating deficits.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Billerica's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Billerica's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$44.0 million, a net increase of \$9.1 million from the prior year. The increase is due to increases in the general fund of \$3.4 million; a \$1 million increase in the MSBA Parker School fund, as well as a \$4.7 million increase in nonmajor funds.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$26.9 million, while total fund balance was \$29.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 19% of total general fund expenditures, while

total fund balance represents approximately 21% of that same amount. Included in the unassigned balance is \$10.5 million of stabilization funds.

Fund balance of the general fund increased \$3.4 million from the prior year. This increase is primarily due revenues exceeding budget by \$7 million. The better than expected revenue results is mainly due to collections of motor vehicle excise taxes, real estate and personal property taxes and tax lien collections exceeding estimates. Real estate and tax lien revenues exceeded estimates due to the recapture of previously unassessed exempt properties

MSBA Parker School

This fund accounts for, and reports the results of operations for, activities relating to the construction of the new Parker School. Fund balance increased by \$1 million during the year. The increase is attributable to a transfer from the general fund for the Town's share of costs that will neither be borrowed nor reimbursed by the Massachusetts School Business Authority.

General Fund Budgetary Highlights

The Town of Billerica adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Actual revenues received were greater than budgeted by \$7 million, primarily due to the collection of \$1.2 million of unbudgeted tax lien receipts, real estate and personal property collections totaling \$1.8 million more than anticipated and motor vehicle excise receipts totaling \$1.5 million more than anticipated.

Actual expenditures and carryovers were less than budgeted expenditures by approximately \$955,000 due to large turn-backs in the general government and public safety appropriations. The Town has carried over approximately \$2.2 million in appropriations to 2015.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The business-type capital asset activity relates to \$194,000 of various equipment acquisitions and \$12.1 million of sewer infrastructure improvements that were classified as construction in process at the end of the year. The business-type activities total capital assets net of accumulated depreciation was \$125.9 million at the end of 2014.

The Town's governmental major capital activity related to \$1.6 million of Chapter 90 and other roadway upgrade costs, as well as \$1.3 million of new vehicles, equipment, building improvements and other items. The funding for these capital expenditures came from general fund appropriations and capital grants from the Commonwealth. The governmental activities total capital assets net of accumulated depreciation was \$93.4 million at the end of 2014.

Outstanding long-term debt, as of June 30, 2014, totaled \$73.4 million, of which \$50.5 million relates to various water and sewer projects, and \$22.9 million relates to various school and general governmental projects.

Outstanding short-term debt, as of June 30, 2014, totaled \$21.9 million, of which \$500,000 relates to roadway improvements, and \$21.4 million relates to various water and sewer projects.

Requests for Information

This financial report is designed to provide a general overview of the Town of Billerica's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 46,888,576	\$ 7,278,446	\$ 54,167,022
Investments.....	4,295,407	-	4,295,407
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,588,395	-	1,588,395
Tax liens.....	4,340,146	-	4,340,146
Motor vehicle and other excise taxes.....	678,953	-	678,953
Water fees.....	-	1,343,199	1,343,199
Sewer fees.....	-	1,121,252	1,121,252
Departmental and other.....	578,940	-	578,940
Intergovernmental.....	3,257,916	8,908,828	12,166,744
Working capital deposit.....	90,700	-	90,700
Tax foreclosures.....	2,092,527	-	2,092,527
NONCURRENT:			
Intergovernmental.....	-	4,302,437	4,302,437
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	21,009,852	20,711,875	41,721,727
Depreciable.....	72,362,470	105,192,479	177,554,949
TOTAL ASSETS.....	157,183,882	148,858,516	306,042,398
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	129,130	505,363	634,493
LIABILITIES			
CURRENT:			
Warrants payable.....	862,594	1,188,978	2,051,572
Accrued payroll.....	508,379	100,959	609,338
Health claims payable.....	1,091,000	-	1,091,000
Tax refunds payable.....	1,244,000	-	1,244,000
Accrued interest.....	135,696	584,031	719,727
Other liabilities.....	187,371	-	187,371
Advance collections.....	163,447	-	163,447
Compensated absences.....	1,296,000	202,000	1,498,000
Notes payable.....	500,000	21,440,407	21,940,407
Bonds payable.....	2,847,731	4,716,652	7,564,383
NONCURRENT:			
Compensated absences.....	1,580,000	302,000	1,882,000
Other postemployment benefits.....	80,988,000	5,248,000	86,236,000
Bonds payable.....	20,037,399	45,779,012	65,816,411
TOTAL LIABILITIES.....	111,441,617	79,562,039	191,003,656
NET POSITION			
Net investment in capital assets.....	74,811,080	73,472,897	148,283,977
Restricted for:			
Permanent funds:			
Expendable.....	15,070	-	15,070
Nonexpendable.....	1,694,647	-	1,694,647
Grants and gifts.....	1,220,844	-	1,220,844
Unrestricted.....	(31,870,246)	(3,671,057)	(35,541,303)
TOTAL NET POSITION.....	\$ 45,871,395	\$ 69,801,840	\$ 115,673,235

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,895,362	\$ 1,214,225	\$ 267,360	\$ 16,454	\$ (6,397,323)
Public safety.....	28,644,436	3,088,895	541,520	86,557	(24,927,464)
Education.....	115,462,438	3,382,905	40,292,385	-	(71,787,148)
Public works.....	9,608,559	495,090	47,752	2,641,218	(6,424,499)
Human services.....	2,217,577	290,390	651,702	-	(1,275,485)
Culture and recreation.....	4,502,102	767,660	70,952	-	(3,663,490)
Interest.....	825,225	-	-	-	(825,225)
Total Primary Government.....	<u>169,155,699</u>	<u>9,239,165</u>	<u>41,871,671</u>	<u>2,744,229</u>	(115,300,634)
<i>Business-Type Activities:</i>					
Water.....	7,631,484	4,475,509	616,057	-	(2,539,918)
Sewer.....	<u>7,771,550</u>	<u>3,373,658</u>	<u>-</u>	<u>-</u>	<u>(4,397,892)</u>
Total Business-Type Activities.....	<u>15,403,034</u>	<u>7,849,167</u>	<u>616,057</u>	<u>-</u>	(6,937,810)
Total Primary Government.....	<u>\$ 184,558,733</u>	<u>\$ 17,088,332</u>	<u>\$ 42,487,728</u>	<u>\$ 2,744,229</u>	<u>\$ (122,238,444)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (115,300,634)	\$ (6,937,810)	\$ (122,238,444)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	102,734,863	-	102,734,863
Tax liens.....	1,473,175	-	1,473,175
Motor vehicle excise taxes.....	5,802,686	-	5,802,686
Hotel/motel tax.....	943,569	-	943,569
Penalties and interest on taxes.....	311,571	-	311,571
Payments in lieu of taxes.....	141,206	-	141,206
Grants and contributions not restricted to specific programs.....	5,041,689	-	5,041,689
Unrestricted investment income.....	438,612	-	438,612
<i>Transfers, net</i>	(8,551,940)	8,551,940	-
Total general revenues and transfers.....	108,335,431	8,551,940	116,887,371
Change in net position.....	(6,965,203)	1,614,130	(5,351,073)
<i>Net Position:</i>			
Beginning of year.....	52,836,598	68,187,710	121,024,308
End of year.....	\$ 45,871,395	\$ 69,801,840	\$ 115,673,235

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 27,211,296	\$ -	\$ 14,906,594	\$ 42,117,890
Investments.....	3,393,372	-	902,035	4,295,407
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,588,395	-	-	1,588,395
Tax liens.....	4,340,146	-	-	4,340,146
Motor vehicle and other excise taxes.....	678,953	-	-	678,953
Departmental and other.....	578,940	-	-	578,940
Intergovernmental.....	-	818,251	2,439,665	3,257,916
Due from other funds.....	887,554	-	-	887,554
Tax foreclosures.....	2,092,527	-	-	2,092,527
TOTAL ASSETS.....	\$ 40,771,183	\$ 818,251	\$ 18,248,294	\$ 59,837,728
LIABILITIES				
Warrants payable.....	\$ 652,039	\$ -	\$ 210,555	\$ 862,594
Accrued payroll.....	508,379	-	-	508,379
Tax refunds payable.....	1,244,000	-	-	1,244,000
Other liabilities.....	187,371	-	-	187,371
Advance collections.....	-	-	163,447	163,447
Due to other funds.....	-	887,554	-	887,554
Notes payable.....	-	-	500,000	500,000
TOTAL LIABILITIES.....	2,591,789	887,554	874,002	4,353,345
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	9,053,591	-	2,439,665	11,493,256
FUND BALANCES				
Nonspendable.....	-	-	1,694,647	1,694,647
Restricted.....	-	-	13,735,949	13,735,949
Assigned.....	2,182,109	-	-	2,182,109
Unassigned.....	26,943,694	(69,303)	(495,969)	26,378,422
TOTAL FUND BALANCES.....	29,125,803	(69,303)	14,934,627	43,991,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 40,771,183	\$ 818,251	\$ 18,248,294	\$ 59,837,728

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Total governmental fund balances.....		\$ 43,991,127
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		93,372,322
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		11,493,256
Internal service funds are used by management to account for employee and retiree health insurance activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		3,770,386
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(135,696)
Long-term liabilities are not due and payable in the current period and deferred outflows of resources are long-term, and therefore, are not reported in the governmental funds		
Bonds payable.....	(22,885,130)	
Deferred loss on refunding.....	129,130	
Compensated absences.....	(2,876,000)	
Other postemployment benefits.....	<u>(80,988,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(106,620,000)</u>
Net position of governmental activities.....		<u>\$ 45,871,395</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2014

	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 102,971,462	\$ -	\$ -	\$ 102,971,462
Tax liens.....	1,153,806	-	-	1,153,806
Motor vehicle excise tax.....	6,131,642	-	-	6,131,642
Hotel/motel tax.....	943,569	-	-	943,569
Charges for services.....	-	-	414,716	414,716
Penalties and interest on taxes.....	311,571	-	-	311,571
Fees and rentals.....	2,427,986	-	-	2,427,986
Licenses and permits.....	1,005,377	-	-	1,005,377
Intergovernmental.....	41,651,193	-	8,409,857	50,061,050
Departmental and other.....	587,321	-	3,881,104	4,468,425
Contributions.....	-	-	38,968	38,968
Investment income.....	370,262	-	18,761	389,023
TOTAL REVENUES.....	157,554,189	-	12,763,406	170,317,595
EXPENDITURES:				
Current:				
General government.....	4,319,067	-	559,665	4,878,732
Public safety.....	16,281,145	-	304,175	16,585,320
Education.....	62,385,550	1,263	7,380,054	69,766,867
Public works.....	6,897,474	-	1,251,598	8,149,072
Human services.....	1,317,507	-	332,812	1,650,319
Culture and recreation.....	1,767,641	-	1,241,928	3,009,569
Pension benefits.....	23,829,039	-	-	23,829,039
Employee benefits.....	13,354,871	-	-	13,354,871
Building Insurance.....	880,365	-	-	880,365
State and county charges.....	5,545,504	-	-	5,545,504
Capital outlay.....	1,175,961	-	-	1,175,961
Debt service:				
Principal.....	2,854,000	-	-	2,854,000
Interest.....	984,848	-	-	984,848
TOTAL EXPENDITURES.....	141,592,972	1,263	11,070,232	152,664,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	15,961,217	(1,263)	1,693,174	17,653,128
OTHER FINANCING SOURCES (USES):				
Operating activity transferred out to enterprise funds.....	(7,140,440)	-	-	(7,140,440)
Transfers in.....	35,031	1,000,000	3,364,264	4,399,295
Transfers out.....	(5,456,500)	-	(354,295)	(5,810,795)
TOTAL OTHER FINANCING SOURCES (USES)....	(12,561,909)	1,000,000	3,009,969	(8,551,940)
NET CHANGE IN FUND BALANCES.....	3,399,308	998,737	4,703,143	9,101,188
FUND BALANCES AT BEGINNING OF YEAR.....	25,726,495	(1,068,040)	10,231,484	34,889,939
FUND BALANCES AT END OF YEAR.....	\$ 29,125,803	\$ (69,303)	\$ 14,934,627	\$ 43,991,127

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 9,101,188
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	2,808,791	
Depreciation expense.....	<u>(3,409,556)</u>	
Net effect of reporting capital assets.....		(600,765)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		375,252
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position.</p>		
Debt service principal payments.....		<u>2,854,000</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in other postemployment benefits accrual.....	(17,957,000)	
Net change in compensated absences accrual.....	133,000	
Net change in accrued interest on long-term debt.....	12,717	
Amortization of premium.....	170,448	
Amortization of deferred loss on refunding.....	<u>(23,543)</u>	
Net effect of recording long-term liabilities.....		(17,664,378)
<p>Internal service funds are used by management to account for employee and retiree health insurance activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(1,030,500)</u>
Change in net position of governmental activities.....		<u>\$ (6,965,203)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 7,278,446	\$ -	\$ 7,278,446	\$ 4,770,686
Receivables, net of allowance for uncollectibles:				
Water fees.....	1,343,199	-	1,343,199	-
Sewer fees.....	-	1,121,252	1,121,252	-
Intergovernmental.....	338,827	8,570,001	8,908,828	-
Working capital deposit.....	-	-	-	90,700
Due from other funds.....	1,051,979	-	1,051,979	-
Total current assets.....	<u>10,012,451</u>	<u>9,691,253</u>	<u>19,703,704</u>	<u>4,861,386</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	4,302,437	-	4,302,437	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	497,236	20,214,639	20,711,875	-
Depreciable.....	41,143,282	64,049,197	105,192,479	-
Total noncurrent assets.....	<u>45,942,955</u>	<u>84,263,836</u>	<u>130,206,791</u>	<u>-</u>
TOTAL ASSETS.....	<u>55,955,406</u>	<u>93,955,089</u>	<u>149,910,495</u>	<u>4,861,386</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding.....	40,985	464,378	505,363	-
LIABILITIES				
CURRENT:				
Warrants payable.....	142,211	1,046,767	1,188,978	-
Accrued payroll.....	63,341	37,618	100,959	-
Health claims payable.....	-	-	-	1,091,000
Due to other funds.....	-	1,051,979	1,051,979	-
Accrued interest.....	405,585	178,446	584,031	-
Compensated absences.....	103,000	99,000	202,000	-
Notes payable.....	-	21,440,407	21,440,407	-
Bonds payable.....	2,008,862	2,707,790	4,716,652	-
Total current liabilities.....	<u>2,722,999</u>	<u>26,562,007</u>	<u>29,285,006</u>	<u>1,091,000</u>
NONCURRENT:				
Compensated absences.....	209,000	93,000	302,000	-
Other postemployment benefits.....	2,407,000	2,841,000	5,248,000	-
Bonds payable.....	20,337,335	25,441,677	45,779,012	-
Total noncurrent liabilities.....	<u>22,953,335</u>	<u>28,375,677</u>	<u>51,329,012</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>25,676,334</u>	<u>54,937,684</u>	<u>80,614,018</u>	<u>1,091,000</u>
NET POSITION				
Net investment in capital assets.....	31,900,920	41,571,977	73,472,897	-
Unrestricted.....	(1,580,863)	(2,090,194)	(3,671,057)	3,770,386
TOTAL NET POSITION.....	<u>\$ 30,320,057</u>	<u>\$ 39,481,783</u>	<u>\$ 69,801,840</u>	<u>\$ 3,770,386</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<u>OPERATING REVENUES:</u>				
Employee contributions	\$ -	\$ -	\$ -	\$ 4,073,372
Employer contributions	-	-	-	11,243,282
Charges for services	4,333,643	3,373,658	7,707,301	-
Other.....	141,866	-	141,866	-
TOTAL OPERATING REVENUES	4,475,509	3,373,658	7,849,167	15,316,654
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	5,263,846	4,667,563	9,931,409	-
Depreciation.....	1,316,908	2,277,802	3,594,710	-
Employee benefits	-	-	-	16,396,743
TOTAL OPERATING EXPENSES	6,580,754	6,945,365	13,526,119	16,396,743
OPERATING INCOME (LOSS).....	(2,105,245)	(3,571,707)	(5,676,952)	(1,080,089)
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	-	-	-	49,589
Interest expense.....	(1,050,730)	(826,185)	(1,876,915)	-
Intergovernmental interest subsidy.....	616,057	-	616,057	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(434,673)	(826,185)	(1,260,858)	49,589
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	(2,539,918)	(4,397,892)	(6,937,810)	(1,030,500)
OPERATING CONTRIBUTIONS.....	2,811,041	4,329,399	7,140,440	-
<u>TRANSFERS:</u>				
Transfers in.....	1,000,000	411,500	1,411,500	-
CHANGE IN NET POSITION.....	1,271,123	343,007	1,614,130	(1,030,500)
NET POSITION AT BEGINNING OF YEAR.....	29,048,934	39,138,776	68,187,710	4,800,886
NET POSITION AT END OF YEAR.....	\$ 30,320,057	\$ 39,481,783	\$ 69,801,840	\$ 3,770,386

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 4,550,110	\$ 3,414,812	\$ 7,964,922	\$ -
Receipts from interfund services provided.....	-	-	-	15,316,654
Payments to vendors.....	(3,861,179)	(3,440,228)	(7,301,407)	-
Payments to employees.....	(1,014,348)	(676,367)	(1,690,715)	-
Payments for interfund services used.....	-	-	-	(16,323,543)
NET CASH FROM OPERATING ACTIVITIES.....	(325,417)	(701,783)	(1,027,200)	(1,006,889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	1,000,000	411,500	1,411,500	-
Operating contributions.....	2,811,041	4,329,399	7,140,440	-
Due to/from other funds.....	(272,689)	272,689	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	3,538,352	5,013,588	8,551,940	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	-	11,285,791	11,285,791	-
Acquisition and construction of capital assets.....	(284,304)	(11,972,212)	(12,256,516)	-
Principal payments on bonds and notes.....	(1,843,378)	(2,799,199)	(4,642,577)	-
Interest expense.....	(434,673)	(826,185)	(1,260,858)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,562,355)	(4,311,805)	(6,874,160)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	-	-	-	49,589
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	650,580	-	650,580	(957,300)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,627,866	-	6,627,866	5,727,986
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,278,446	\$ -	\$ 7,278,446	\$ 4,770,686
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (2,105,245)	\$ (3,571,707)	\$ (5,676,952)	\$ (1,080,089)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,316,908	2,277,802	3,594,710	-
Changes in assets and liabilities:				
Water fees.....	74,601	-	74,601	-
Sewer fees.....	-	41,154	41,154	-
Working capital deposit.....	-	-	-	(1,800)
Warrants payable.....	(122,429)	41,778	(80,651)	-
Accrued payroll.....	14,748	1,190	15,938	-
Health claims payable.....	-	-	-	75,000
Accrued compensated absences.....	21,000	(15,000)	6,000	-
Other postemployment benefits.....	475,000	523,000	998,000	-
Total adjustments.....	1,779,828	2,869,924	4,649,752	73,200
NET CASH FROM OPERATING ACTIVITIES.....	\$ (325,417)	\$ (701,783)	\$ (1,027,200)	\$ (1,006,889)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
MCWT debt service subsidy.....	\$ 616,057	\$ -	\$ -	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 1,007,721	\$ 1,443,318	\$ 1,583,393
LIABILITIES			
Liabilities due depositors.....	-	-	1,583,393
NET POSITION			
Held in trust for postretirement benefits and other purposes.....	\$ 1,007,721	\$ 1,443,318	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 410,536	\$ -
Private donations.....	-	50,051
Total contributions.....	410,536	50,051
Net investment income:		
Interest.....	39,994	121,244
TOTAL ADDITIONS.....	450,530	171,295
DEDUCTIONS:		
Educational scholarships.....	-	177,459
CHANGE IN NET POSITION.....	450,530	(6,164)
NET POSITION AT BEGINNING OF YEAR.....	557,191	1,449,482
NET POSITION AT END OF YEAR.....	\$ 1,007,721	\$ 1,443,318

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Billerica, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Billerica is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund. Internal service and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *MSBA Parker School fund* is used to account for the activity relating to the Parker School Construction project.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on July 1st and January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Sewer

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Water

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

F. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Vehicles.....	5-15
Machinery and equipment.....	5-10
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has recorded deferred losses on refunding as a deferred outflow of resources in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have deferred inflows of resources at year-end.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities (full accrual) financial statements.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

L. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Individual Fund Deficits

The MSBA Parker School major fund has a fund deficit at June 30, 2014. The deficit will be funded through future grant proceeds from the Massachusetts School Business Authority (MSBA). The General Capital non-major capital project fund has a fund deficit at June 30, 2014. This deficit will be funded through future bond proceeds and available funds.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$51,101,185 and the bank balance totaled \$52,994,425. Of the bank balance, \$11,043,794 was covered by Federal Depository Insurance, \$1,229,223 was covered by the Share Insurance Fund insurance, \$37,499,086 was collateralized, and \$3,222,322 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Share Insurance Fund (SIF) is a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above Federal Deposit Insurance Corporation (FDIC) limits.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank

holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2014, the Town had the following investments:

Investment Type	Fair Value	Maturity			Rating
		1-5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>					
U.S. Government Agencies.....	\$ 1,386,542	\$ 592,389	\$ 294,153	\$ 500,000	AAA
Corporate Bonds.....	910,024	-	312,375	597,649	BAA1-BAA3
Total Debt Securities.....	2,296,566	\$ 592,389	\$ 606,528	\$ 1,097,649	
<u>Other Investments</u>					
Equity Securities.....	1,998,841				
Money Market Mutual Funds.....	7,045,317				
MMDT.....	54,952				
Total Investments.....	\$ 11,395,676				

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,386,542 in United States Government Enterprises, \$910,024 in Corporate Bonds, and \$1,998,841 in Equity Securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States Government Agency bonds, United States Treasury Notes, and MMDT, no more than 75% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. At June 30, 2014, the Town's did not maintain investments requiring concentration of credit risk disclosure.

NOTE 3 – RECEIVABLES

At June 30, 2014, receivables for the individual major, the non-major governmental funds, and the proprietary internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,192,695	\$ (604,300)	\$ 1,588,395
Tax liens.....	4,340,146	-	4,340,146
Motor vehicle and other excise taxes.....	1,452,340	(773,387)	678,953
Departmental and other.....	1,604,940	(1,026,000)	578,940
Intergovernmental.....	3,257,916	-	3,257,916
Total.....	<u>\$ 12,848,037</u>	<u>\$ (2,403,687)</u>	<u>\$ 10,444,350</u>

At June 30, 2014, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 1,343,199	\$ -	\$ 1,343,199
Sewer fees.....	1,121,252	-	1,121,252
Intergovernmental.....	13,211,265	-	13,211,265
Total.....	<u>\$ 15,675,716</u>	<u>\$ -</u>	<u>\$ 15,675,716</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period. At the end of the current, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,363,025	\$ -	\$ 1,363,025
Tax liens.....	4,340,146	-	4,340,146
Motor vehicle and other excise taxes.....	678,953	-	678,953
Departmental and other.....	578,940	-	578,940
Intergovernmental.....	-	2,439,665	2,439,665
Tax foreclosures.....	2,092,527	-	2,092,527
Total.....	<u>\$ 9,053,591</u>	<u>\$ 2,439,665</u>	<u>\$ 11,493,256</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,009,852	\$ -	-	\$ 21,009,852
Construction in progress.....	<u>63,069</u>	<u>-</u>	<u>(63,069)</u>	<u>-</u>
Total capital assets not being depreciated.....	<u>21,072,921</u>	<u>-</u>	<u>(63,069)</u>	<u>21,009,852</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,365,780	63,069	-	5,428,849
Buildings.....	86,989,851	287,401	-	87,277,252
Vehicles.....	10,100,403	350,540	-	10,450,943
Machinery and equipment.....	7,793,468	571,289	-	8,364,757
Infrastructure.....	<u>41,160,433</u>	<u>1,599,561</u>	<u>-</u>	<u>42,759,994</u>
Total capital assets being depreciated.....	<u>151,409,935</u>	<u>2,871,860</u>	<u>-</u>	<u>154,281,795</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,556,148)	(164,052)	-	(2,720,200)
Buildings.....	(35,490,056)	(1,844,849)	-	(37,334,905)
Vehicles.....	(7,668,369)	(607,557)	-	(8,275,926)
Machinery and equipment.....	(6,043,945)	(340,481)	-	(6,384,426)
Infrastructure.....	<u>(26,751,251)</u>	<u>(452,617)</u>	<u>-</u>	<u>(27,203,868)</u>
Total accumulated depreciation.....	<u>(78,509,769)</u>	<u>(3,409,556)</u>	<u>-</u>	<u>(81,919,325)</u>
Total capital assets being depreciated, net.....	<u>72,900,166</u>	<u>(537,696)</u>	<u>-</u>	<u>72,362,470</u>
Total governmental activities capital assets, net.....	<u>\$ 93,973,087</u>	<u>\$ (537,696)</u>	<u>\$ (63,069)</u>	<u>\$ 93,372,322</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
Construction in progress.....	286,933	144,346	-	431,279
Total capital assets not being depreciated.....	352,890	144,346	-	497,236
<u>Capital assets being depreciated:</u>				
Vehicles.....	526,308	-	-	526,308
Machinery and equipment.....	462,667	194,395	-	657,062
Infrastructure.....	58,921,577	-	-	58,921,577
Total capital assets being depreciated.....	59,910,552	194,395	-	60,104,947
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(421,770)	(25,414)	-	(447,184)
Machinery and equipment.....	(149,625)	(50,066)	-	(199,691)
Infrastructure.....	(17,073,362)	(1,241,428)	-	(18,314,790)
Total accumulated depreciation.....	(17,644,757)	(1,316,908)	-	(18,961,665)
Total capital assets being depreciated, net.....	42,265,795	(1,122,513)	-	41,143,282
Total water capital assets, net.....	\$ 42,618,685	\$ (978,167)	\$ -	\$ 41,640,518

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
Construction in progress.....	7,431,198	12,133,377	-	19,564,575
Total capital assets not being depreciated.....	8,081,262	12,133,377	-	20,214,639
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	396,631	-	-	396,631
Vehicles.....	988,297	-	-	988,297
Infrastructure.....	98,258,906	-	-	98,258,906
Total capital assets being depreciated.....	102,567,951	-	-	102,567,951
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,717,919)	(73,103)	-	(1,791,022)
Machinery and equipment.....	(317,040)	(10,228)	-	(327,268)
Vehicles.....	(744,053)	(55,743)	-	(799,796)
Infrastructure.....	(33,461,940)	(2,138,728)	-	(35,600,668)
Total accumulated depreciation.....	(36,240,952)	(2,277,802)	-	(38,518,754)
Total capital assets being depreciated, net.....	66,326,999	(2,277,802)	-	64,049,197
Total sewer capital assets, net.....	\$ 74,408,261	\$ 9,855,575	\$ -	\$ 84,263,836

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 136,495
Public safety.....	588,221
Education.....	1,517,849
Public works.....	722,579
Human services.....	32,234
Culture and recreation.....	412,178
Total depreciation expense - governmental activities.....	\$ 3,409,556

Business-Type Activities:

Water.....	\$ 1,316,908
Sewer.....	2,277,802
Total depreciation expense - business-type activities.....	\$ 3,594,710

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2014, the Town had an interfund receivable/payable of \$887,554 between the general fund and the MSBA Parker School fund and an interfund receivable/payable of \$1,051,979 between the water and sewer enterprise funds. The purpose of these transactions was to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	MSBA Parker School	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 1,000,000	\$ 3,145,000	\$ 1,000,000	\$ 311,500	\$ 5,456,500 (1)
Nonmajor Governmental Funds.....	35,031	-	219,264	-	100,000	354,295 (2)
Total.....	\$ 35,031	\$ 1,000,000	\$ 3,364,264	\$ 1,000,000	\$ 411,500	\$ 5,810,795

- (1) Budgeted transfers from the general fund to the MSBA parker school, capital projects funds, as well as the water and sewer funds for various construction projects.
- (2) Budgeted transfers from the rink revolving fund to the general fund, transfers between various special revenue funds, as well as a transfer to the sewer enterprise fund for construction projects.

In addition to the budgeted transfers detailed above, the Town transferred approximately \$7.1 million from the general fund to the water and sewer funds. This amount represents operating and debt services activities originally recorded and paid for in the general fund.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the year ended June 30, 2014, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
BAN	Bond Anticipation Notes.....	1.50%	9/20/2013	\$ 1,650,000	\$ -	\$ 1,650,000	\$ -
BAN	Bond Anticipation Notes.....	0.50%	3/20/2014	-	1,662,000	1,662,000	-
BAN	Bond Anticipation Notes.....	0.55%	5/15/2015	-	500,000	-	500,000
Total Governmental Funds.....				<u>1,650,000</u>	<u>2,162,000</u>	<u>3,312,000</u>	<u>500,000</u>
BAN	Bond Anticipation Notes.....	0.55%	5/15/2015	-	500,000	-	500,000
BAN**	Temporary MCWT Financing.....	2.00%	6/30/2015	1,515,186	-	-	1,515,186
BAN**	Temporary MCWT Financing.....	2.00%	6/30/2015	9,000,000	-	-	9,000,000
BAN**	Temporary MCWT Financing.....	2.00%	6/30/2015	<u>10,425,221</u>	<u>-</u>	<u>-</u>	<u>10,425,221</u>
Total Sewer Fund.....				<u>20,940,407</u>	<u>500,000</u>	<u>-</u>	<u>21,440,407</u>
Total.....				<u>\$ 22,590,407</u>	<u>\$ 2,662,000</u>	<u>\$ 3,312,000</u>	<u>\$ 21,940,407</u>

The Massachusetts Clean Water Trust (MCWT) Temporary Financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer infrastructure network. The Town has been preliminarily approved for construction costs up to \$20,940,407 at a market interest rate of 2%. The Town entered into financing agreements in April of 2012 and January of 2013 and at that time the Town was allowed 2 years to expend funds against the loan. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years. During the temporary status of the loan the Town is only liable for the payment of interest costs.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In prior fiscal years certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2014, \$12,720,000 of bonds outstanding from prior year refunding transactions is considered defeased.

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bond Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Reductions	Outstanding at June 30, 2014
Municipal Purpose Bonds of 1998 - Refunding.....	2028	\$ 3,500,000	2.38 - 4.50%	\$ 831,923	\$ -	\$ 175,000	\$ 656,923
Municipal Purpose Bonds of 2005 - Refunding.....	2025	4,400,000	3.85%	440,000	-	220,000	220,000
Municipal Purpose Bonds of 2008.....	2028	5,036,000	2.38 - 4.00%	2,105,000	-	310,000	1,795,000
Municipal Purpose Bonds of 2010.....	2018	1,500,000	3.97%	750,000	-	250,000	500,000
Municipal Purpose Bonds of 2011.....	2031	2,932,000	2.00 - 4.75%	2,510,000	-	200,000	2,310,000
Municipal Purpose Bonds of 2013.....	2033	15,535,000	2.00 - 4.00%	15,535,000	-	1,640,000	13,895,000
Municipal Purpose Bonds of 2013 - Refunding.....	2025	2,524,000	1.00 - 4.00%	2,524,000	-	59,000	2,465,000
Total Governmental Bonds Payable.....				24,695,923	-	2,854,000	21,841,923
Unamortized Premiums on Bonds.....				1,213,655	-	170,448	1,043,207
Total Governmental.....				\$ 25,909,578	\$ -	\$ 3,024,448	\$ 22,885,130

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 2,689,615	\$ 745,700	\$ 3,435,315
2016.....	2,666,923	667,795	3,334,718
2017.....	2,581,539	586,994	3,168,533
2018.....	2,333,846	491,807	2,825,653
2019.....	1,895,000	408,443	2,303,443
2020.....	965,000	334,343	1,299,343
2021.....	955,000	297,543	1,252,543
2022.....	895,000	256,437	1,151,437
2023.....	895,000	221,431	1,116,431
2024.....	830,000	184,124	1,014,124
2025.....	825,000	164,594	989,594
2026.....	610,000	145,932	755,932
2027.....	660,000	121,525	781,525
2028.....	660,000	99,925	759,925
2029.....	520,000	78,325	598,325
2030.....	520,000	61,487	581,487
2031.....	520,000	44,650	564,650
2032.....	410,000	26,650	436,650
2033.....	410,000	13,325	423,325
Total.....	\$ 21,841,923	\$ 4,951,028	\$ 26,792,951

Bond Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Reductions	Outstanding at June 30, 2014
Water Treatment Facility.....	2033	\$ 4,832,000	2.00 - 5.00%	\$ 1,600,000	\$ -	\$ 115,000	\$ 1,485,000
MCWT.....	2025	33,452,851	3.00 - 5.35%	18,695,174	-	1,556,445	17,138,729
Water Mains.....	2030	2,740,000	2.38 - 4.75%	1,925,000	-	125,000	1,800,000
Water Departmental Equipment.....	2020	1,742,000	2.38 - 4.75%	1,010,000	-	200,000	810,000
Water Treatment Facility Refunding.....	2025	873,000	1.00 - 4.00%	923,000	-	103,000	820,000
Water Mains Refunding.....	2022	105,000	1.00 - 4.00%	105,000	-	15,000	90,000
Surface Drain Refunding.....	2022	128,000	1.00 - 4.00%	128,000	-	13,000	115,000
Total Water Bonds Payable.....				24,386,174	-	2,127,445	22,258,729
Unamortized Premiums on Bonds.....				107,222	-	19,754	87,468
Total Water.....				<u>\$ 24,493,396</u>	<u>\$ -</u>	<u>\$ 2,147,199</u>	<u>\$ 22,346,197</u>

Debt service requirements for principal and interest for the Water Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 1,989,433	\$ 1,016,908	\$ 3,006,341
2016.....	2,037,933	923,515	2,961,448
2017.....	2,082,532	833,477	2,916,009
2018.....	2,056,731	733,045	2,789,776
2019.....	2,070,931	632,325	2,703,256
2020.....	2,130,130	531,027	2,661,157
2021.....	2,114,729	428,465	2,543,194
2022.....	2,178,928	324,415	2,503,343
2023.....	2,143,128	218,990	2,362,118
2024.....	2,187,327	114,800	2,302,127
2025.....	541,927	50,472	592,399
2026.....	225,000	32,832	257,832
2027.....	225,000	22,582	247,582
2028.....	225,000	12,082	237,082
2029.....	25,000	1,566	26,566
2030.....	25,000	525	25,525
Total.....	<u>\$ 22,258,729</u>	<u>\$ 5,877,027</u>	<u>\$ 28,135,756</u>

Bond Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Reductions	Outstanding at June 30, 2014
Sewer.....	2033	\$ 15,897,510	3.00 - 5.37%	\$ 7,487,000	\$ -	\$ 732,000	\$ 6,755,000
Sewer Refunding.....	2018	5,513,077	2.00 - 4.01%	2,033,077	-	630,000	1,403,077
MCWT.....	2031	9,527,457	2.00%	8,520,459	-	397,348	8,123,111
Sewer Treatment Facility.....	2030	6,530,000	2.50 - 4.20%	5,500,000	-	340,000	5,160,000
Sewer 2013 Refunding.....	2025	13,000,000	3.00 - 5.00%	6,880,000	-	695,000	6,185,000
Total Sewer Bonds Payable.....				30,420,536	-	2,794,348	27,626,188
Unamortized Premiums on Bonds.....				613,665	-	90,386	523,279
Total Sewer.....				\$ 31,034,201	\$ -	\$ 2,884,734	\$ 28,149,467

Debt service requirements for principal and interest for the Sewer Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 2,610,745	\$ 783,034	\$ 3,393,779
2016.....	2,591,611	712,617	3,304,228
2017.....	2,435,333	641,729	3,077,062
2018.....	2,241,533	573,276	2,814,809
2019.....	2,089,056	508,322	2,597,378
2020.....	2,082,909	442,331	2,525,240
2021.....	1,621,941	382,601	2,004,542
2022.....	1,626,154	330,345	1,956,499
2023.....	1,620,554	278,817	1,899,371
2024.....	1,290,142	234,459	1,524,601
2025.....	1,284,924	199,701	1,484,625
2026.....	1,044,903	167,147	1,212,050
2027.....	1,055,083	135,723	1,190,806
2028.....	1,065,468	104,367	1,169,835
2029.....	1,076,063	72,598	1,148,661
2030.....	986,872	42,202	1,029,074
2031.....	772,897	18,291	791,188
2032.....	65,000	4,225	69,225
2033.....	65,000	2,113	67,113
Total.....	\$ 27,626,188	\$ 5,633,890	\$ 33,260,078

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$4,641,264 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total \$3,351,930 and will be recognized as revenue when received. During 2014, the Town's principal and interest subsidy amounted to approximately \$939,000.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had authorized and un-issued debt as follows:

Purpose	Date Authorized	Amount
Water treatment plant.....	06/06/02	\$ 426,999
Wastewater Treatment.....	10/14/08	402,784
Sewer.....	10/04/11	16,143,000
Sewer.....	10/08/13	900,000
Crosby hill water tank.....	10/21/08	85,300
School construction.....	10/06/09	3,612,472
Wastewater Treatment.....	10/10/13	4,966,600
Pump station.....	10/04/12	3,345,000
Wastewater/pump station.....	05/10/12	5,586,000
Planning and land acquisition.....	05/21/13	1,180,000
Total.....		<u>\$ 36,648,155</u>

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

<i>Governmental Activities</i>	Balance June 30, 2013	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2014	Current Portion
Long-Term Bonds.....	\$ 24,695,923	\$ (2,854,000)	\$ -	\$ -	\$ 21,841,923	\$ 2,689,615
Unamortized Premium on Bonds.....	1,213,655	-	-	(170,448)	1,043,207	181,898
Other Postemployment Benefits.....	63,031,000	-	26,482,583	(8,525,583)	80,988,000	-
Compensated Absences.....	3,009,000	-	1,101,000	(1,234,000)	2,876,000	1,296,000
Total.....	<u>\$ 91,949,578</u>	<u>\$ (2,854,000)</u>	<u>\$ 27,583,583</u>	<u>\$ (9,930,031)</u>	<u>\$ 106,749,130</u>	<u>\$ 4,167,513</u>
<i>Business-Type Activities</i>	Balance June 30, 2013	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2014	Current Portion
Long-Term Bonds.....	\$ 54,806,710	\$ (4,921,793)	\$ -	\$ -	\$ 49,884,917	\$ 4,600,178
Unamortized Premium on Bonds.....	720,887	-	-	(110,140)	610,747	116,474
Other Postemployment Benefits.....	4,250,000	-	1,063,582	(65,582)	5,248,000	-
Compensated Absences.....	498,000	-	246,000	(240,000)	504,000	202,000
Total.....	<u>\$ 60,275,597</u>	<u>\$ (4,921,793)</u>	<u>\$ 1,309,582</u>	<u>\$ (415,722)</u>	<u>\$ 56,247,664</u>	<u>\$ 4,918,652</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The intention of the GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

At June 30, 2014, \$10,522,477 has been set aside in a stabilization fund that is classified as part of the general fund in the governmental funds financial statements. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of Town Meeting and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of Town Meeting. During 2014, \$1,662,653 was transferred into the stabilization fund from the general fund and the

fund recognized interest and investment earnings of \$120,000. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The Town's highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

As of June 30, 2014, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal..... \$	- \$	- \$	1,694,647	\$ 1,694,647
Restricted for:				
Town revolving funds.....	-	-	438,890	438,890
Town state and federal grant funds.....	-	-	643,469	643,469
Town receipts reserved.....	-	-	3,901,626	3,901,626
School lunch.....	-	-	57,090	57,090
School revolving funds.....	-	-	1,952,759	1,952,759
School grant funds.....	-	-	391,647	391,647
Recreation revolving.....	-	-	10,573	10,573
Other special revenue.....	-	-	1,504,968	1,504,968
Recreation capital projects.....	-	-	10,200	10,200
Public safety capital projects.....	-	-	189,836	189,836
School capital projects.....	-	-	4,260,250	4,260,250
Stormwater drainage capital projects.....	-	-	100,841	100,841
Highway capital projects.....	-	-	170,957	170,957
Cemetery capital projects.....	-	-	87,773	87,773
Cemetery perpetual care.....	-	-	15,070	15,070
Assigned to:				
General government.....	175,477	-	-	175,477
Public safety.....	69,369	-	-	69,369
Education.....	1,091,871	-	-	1,091,871
Public works.....	298,670	-	-	298,670
Human services.....	3,810	-	-	3,810
Culture and recreation.....	2,016	-	-	2,016
Capital outlay.....	540,896	-	-	540,896
Unassigned.....	26,943,694	(69,303)	(495,969)	26,378,422
TOTAL FUND BALANCES (DEFICIT)..... \$	29,125,803	(69,303)	14,934,627	\$ 43,991,127

NOTE 9 – RISK FINANCING

The Town is self-insured for portions of its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town estimates its' Incurred But Not Reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000

coverage provided by the Town. At June 30, 2014, the amount of the liability for health insurance claims totaled \$1,019,000.

Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2013.....	\$ 1,239,000	\$ (14,803,749)	\$ 14,580,749	\$ 1,016,000
2014.....	1,016,000	(16,321,743)	16,396,743	1,091,000
<i>Workers' Compensation</i>				

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2014, and is therefore not reported.

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the Middlesex County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board (the Board). Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$16,662,453 for the year ended June 30, 2014, and accordingly, are reported in the General Fund as intergovernmental revenues and pension benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are funded by the system. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, MA 01865.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$8,153,848, \$7,929,564, and \$7,568,961, respectively, which equaled its required contribution for each year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the

schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2012, the Plan's membership consisted of the following:

Active members.....	1,041
Retirees, Disabled, Survivors and beneficiaries.....	<u>1,000</u>
Total.....	<u><u>2,041</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 90% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10% percent of their premium costs.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 28,036,000
Interest on net OPEB obligation.....	2,698,000
Adjustments to annual required contribution.....	<u>(2,936,000)</u>
Annual OPEB cost (expense).....	27,798,000
Contributions made.....	<u>(8,843,000)</u>
Increase/(Decrease) in net OPEB obligation.....	18,955,000
Net OPEB obligation - beginning of year.....	<u>67,281,000</u>
Net OPEB obligation - end of year.....	<u><u>\$ 86,236,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two most recent preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 27,798,000	32%	\$ 86,236,000
6/30/2013	26,187,000	35%	67,281,000
6/30/2012	24,659,000	35%	50,333,000
6/30/2011	21,129,000	41%	34,322,000

Funded Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the following actuarial information is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
1/1/2012	\$ -	\$ 279,118,000	\$ 279,118,000	0.0%	\$ 67,242,000	415.1%
1/1/2009	-	233,836,000	233,836,000	0.0%	65,751,000	355.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.00% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 11% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30 year period. The remaining amortization period at June 30, 2014 is 28 years.

NOTE 12 – COMMITMENTS

The Town is currently authorized to commit and expend \$28.4 million relative to wastewater treatment, wastewater treatment and other sewer capital activities, \$3.3 million in pumping station improvements, and \$4.9 million to complete various other Town projects.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 98,049,432	\$ 101,251,698	\$ 103,033,463	\$ -	\$ 1,781,765
Tax liens.....	-	-	1,153,806	-	1,153,806
Motor vehicle excise tax.....	4,600,000	4,600,000	6,131,642	-	1,531,642
Hotel/motel tax.....	750,000	750,000	943,569	-	193,569
Charges for services.....	7,000,000	7,000,000	7,806,401	-	806,401
Penalties and interest on taxes.....	225,000	225,000	336,544	-	111,544
Fees.....	1,900,000	1,900,000	2,427,986	-	527,986
Licenses and permits.....	600,000	600,000	1,005,377	-	405,377
Intergovernmental.....	24,692,104	24,692,104	24,988,740	-	296,636
Departmental and other.....	410,000	410,000	587,321	-	177,321
Investment income.....	200,000	200,000	250,431	-	50,431
TOTAL REVENUES.....	138,426,536	141,628,802	148,665,280	-	7,036,478
EXPENDITURES:					
Current:					
General government.....	5,112,167	5,021,168	4,548,145	175,477	297,546
Public safety.....	16,761,191	16,811,341	16,281,145	69,369	460,827
Education.....	63,481,579	63,481,579	62,385,550	1,091,871	4,158
Public works.....	13,909,554	14,087,048	13,795,632	298,670	(7,254)
Human services.....	1,284,105	1,345,090	1,325,697	3,810	15,583
Culture and recreation.....	1,752,422	1,780,792	1,767,641	2,016	11,135
Pension benefits.....	8,153,848	7,998,848	7,998,466	-	382
Employee benefits.....	13,767,640	14,258,176	14,211,845	-	46,331
Building Insurance.....	1,020,000	940,000	931,365	-	8,635
State and county charges.....	5,578,653	5,578,653	5,545,504	-	33,149
Capital outlay.....	1,879,657	1,879,657	1,338,761	540,896	-
Debt service:					
Principal.....	5,674,887	7,452,480	7,452,480	-	-
Interest.....	2,134,141	2,373,997	2,289,802	-	84,195
TOTAL EXPENDITURES.....	140,509,844	143,008,829	139,872,033	2,182,109	954,687
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,083,308)	(1,380,027)	8,793,247	(2,182,109)	7,991,165
OTHER FINANCING SOURCES (USES):					
Prior year deficits raised on recap.....	(643,673)	(643,673)	-	-	643,673
Use of fund balance to fund prior year carryovers.....	2,947,486	2,947,486	-	-	(2,947,486)
Use of free cash to fund appropriations.....	-	6,065,336	-	-	(6,065,336)
Use of overlay surplus to fund appropriations.....	-	95,000	-	-	(95,000)
Transfers in.....	35,031	35,031	35,031	-	-
Transfers out.....	(255,536)	(7,119,153)	(7,119,153)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,083,308	1,380,027	(7,084,122)	-	(8,464,149)
NET CHANGE IN FUND BALANCE.....	-	-	1,709,125	(2,182,109)	(472,984)
BUDGETARY FUND BALANCE, Beginning of year.....	17,909,201	17,909,201	17,909,201	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 17,909,201	\$ 17,909,201	\$ 19,618,326	\$ (2,182,109)	\$ (472,984)

See notes to required supplementary information.

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**Middlesex County Contributory Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 401,848,441	276.7%
1/1/10	819,987,914	1,743,581,707	923,593,793	47.0%	384,598,692	240.1%
1/1/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
1/1/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
1/1/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
1/1/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
1/1/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
1/1/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
1/1/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The Town's share of the UAAL, as of January 1, 2012, is approximately \$94.6 million.

See notes to required supplementary information.

**Middlesex County Contributory Retirement System
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Billerica	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 88,723,254	\$ 88,723,254	100%	\$ 8,153,848	9.19%
2012	83,308,220	83,308,220	100%	7,929,564	9.52%
2011	79,640,599	79,640,599	100%	7,568,961	9.50%
2010	76,243,557	76,243,557	100%	6,891,684	9.04%
2009	72,671,595	72,671,595	100%	6,352,561	8.74%
2008	71,233,749	71,233,749	100%	5,667,683	7.96%
2007	64,664,829	64,664,829	100%	5,205,872	8.05%
2006	60,169,717	60,169,717	100%	4,609,124	7.66%
2005	52,298,150	52,298,150	100%	3,970,636	7.59%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents the employer's required and actual contributions to the plan as well as the total contributions to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2012	\$ -	\$ 279,117,655	\$ 279,117,655	0%	\$ 67,242,000	415.1%
1/1/2009	-	233,836,000	233,836,000	0%	65,751,000	355.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2014	\$ 28,036,000	\$ 8,843,000	32%
6/30/2013	26,290,000	9,239,000	35%
6/30/2012	24,679,928	8,648,055	35%
6/30/2011	21,058,524	8,738,829	41%
6/30/2010	19,487,734	8,068,853	41%
6/30/2009	18,058,534	7,590,797	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date.....	January 1, 2012
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	January 1, 2012, 30 years, closed
Remaining amortization period.....	30 years

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	11% initially, graded to 5% over 10 years

Plan Membership:

Current retirees, beneficiaries, and dependents....	1,041
Current active members.....	<u>1,000</u>
Total.....	<u><u>2,041</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the Town to adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to the Town Meeting Representatives (the Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2014 approved budget authorized \$138.5 million in appropriations and other amounts to be raised, as well as \$2.9 million in encumbrances and capital articles carried forward from the prior year. During 2014, the original budget was increased by \$9.4 million as a result of Town Meeting having voting other financing uses, funded by free cash, to fund the school capital project fund, the sewer capital project fund, and the Town stabilization funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$	1,709,125
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		1,782,483
<u>Basis of accounting differences:</u>		
Increase in revenues due to on-behalf payments.....		16,662,453
Increase in expenditures due to on-behalf payments.....		(16,662,453)
Net change in revenues in recording 60 day receipts.....		(135,000)
Net change in recording accrued expenditures.....		(30,300)
Net change in recording tax refunds payable.....		<u>73,000</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>3,399,308</u></u>

NOTE B – PENSION PLAN

The Town contributes to the Middlesex County Contributory Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Middlesex Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

- Valuation Date..... January 1, 2012
 - Actuarial Cost Method..... Entry Age Normal Cost Method
 - Amortization Method..... Prior year's total contribution increased by 6.5% for 2014 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4% annual increasing basis; ERI liability amortized in level payments.
 - Remaining Amortization Period..... 23 years remaining as of January 1, 2012 except:
 7 years remaining for 2002 ERI liability
 8 years remaining for 2003 ERI liability
 - Asset Valuation Method..... The difference between the expected return and the investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.
- Actuarial Assumptions:
- Investment rate of return..... 8.000%
 - Projected salary increases..... 4.75% for Group 1 and 5.25% for Group 4
 - Cost of living adjustments..... 3.0% for the first \$14,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	4,886
Terminated participants entitled to a return of their employee contributions.....	2,708
Terminated participants with a vested right to a deferred or immediate benefit.....	394
Active participants.....	<u>8,979</u>
 Total.....	 <u><u>16,967</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which the Town includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of the accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions to the plan as a whole.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Assumptions presents factors that significantly affect the identification of trends in the amounts reported.